



# **City of New Orleans 2020 Operating Budget**

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**Administration of Mayor LaToya Cantrell**

October 17, 2019

# Contents

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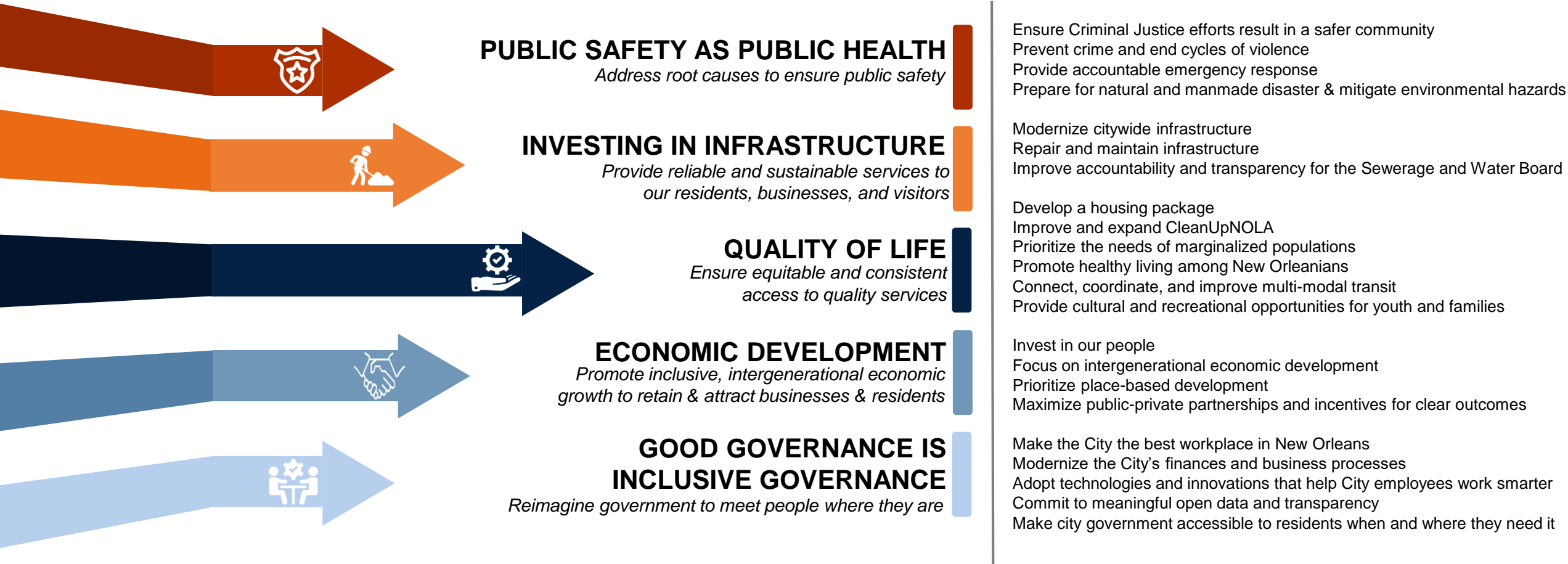
1. Cantrell Administration's Strategic Framework
2. 2020 Budgetary Considerations
3. 2020 Revenue
4. 2020 Expenditures

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# **Cantrell Administration's Strategic Framework**

# Forward Together - Strategic Framework

*The Cantrell Administration's Strategic Framework was designed to prioritize the issues that matter most to New Orleanians*





## Prevent Crime and End Cycles of Violence

*Generational Plan to Reduce Gun Violence | Office of Youth and Families | Investment in Early Childhood Education | Summer Success Program*

## Provide Accountable Emergency Response

*311/911 Merger | Upgrades to the City's Emergency Operations Center | NOPD's Strategic Plan | \$5K hiring bonus for NOPD recruits*



## Ensure Criminal Justice Efforts Result In a Safer Community

*Jail Population Reduction Efforts | Safety & Justice Challenge Dashboard | Bail Reform | Re-Entry Services | Office of Criminal Justice Coordination*

## Prepare for Natural & Manmade Disaster & Mitigate Environmental Hazards

*ALERT Flood Warning System | 2020 Hazard Mitigation Plan | Updated City-Assisted Evacuation plan | NOLAReady*

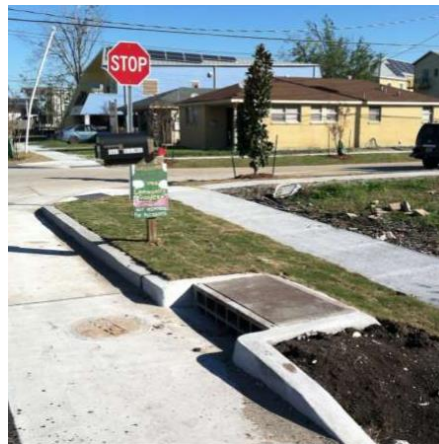
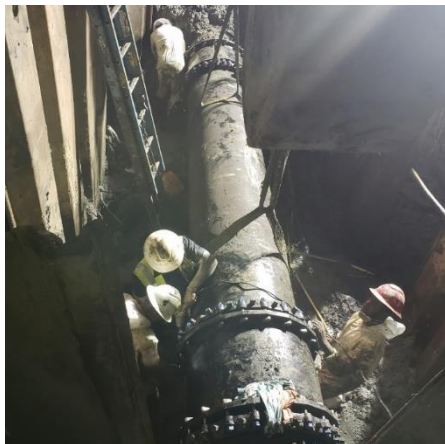
PUBLIC SAFETY AS  
PUBLIC HEALTH







# INVESTING IN INFRASTRUCTURE

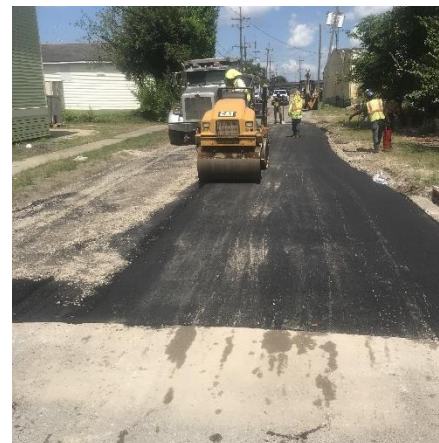


## Improve Accountability & Transparency for SWBNO

*Fair Share Infrastructure Advisory Board |  
New Leadership | Joint Infrastructure  
Recovery Program*

## Modernize City-wide Infrastructure

*Bourbon Street Project | Green  
Infrastructure | 88 Capital Projects | 5  
Bridges in New Orleans East | Office of  
Utilities | Fleet Replacement Strategy |*



## Repair & Maintain Infrastructure

*Bond Sales | Fair Share Deal |  
RoadWork NOLA | Catch Basin  
Cleaning and Repair | Max Pave |  
Improved Fleet Maintenance*





## Improve & Expand



*Removed Litter from 68 miles of Road | Hosted 23+ CleanUpNOLA Events | 98 miles of Road Mechanically Swept | Graffiti Removal*



## Prioritize the Needs of Marginalized Populations

*Sobering Center | Opioid Task Force | Healthcare for the Homeless | LEAD | Community Health Assessment*



## Develop a Housing Package

*Nightly Impact Fee | \$28M in CDBG and Tax Credits for Affordable Housing | Affordable Housing Listening Tour*



## Connect, Coordinate, & Improve Multi-modal Transit

*RTA Leadership | Transportation Action Plan | Installation of Protected Bike Lanes | School Safety Initiatives*



## Provide Cultural & Recreational Opportunities for Youth & Families

*NORD-C Programming | FitNOLA | Junior Civil Leadership Academy*

QUALITY OF LIFE





# ECONOMIC DEVELOPMENT



## Prioritize Place-Based Development

*Fresh Food Retailer Initiative | Restoration Tax Abatement & ITEP Programs | Drive Shack | Dixie Brewery | Jazzland Assessment*



## Invest In Our People

*Technology Associates | 20+ Business Information Sessions | JOB1 Adult Services | Summer Youth Employment | HireNOLA | Workforce Innovation Fund Grant*



## Maximize Public-Private Partnerships & Incentives for Clear Outcomes

*Health Corner Store Collaborative | Online Incentive Matrix | Supported Business through Bourbon St. Construction | What Works Cities | Harvard Bloomberg Partnership | NOLABA*



## Focus on Intergenerational Economic Development

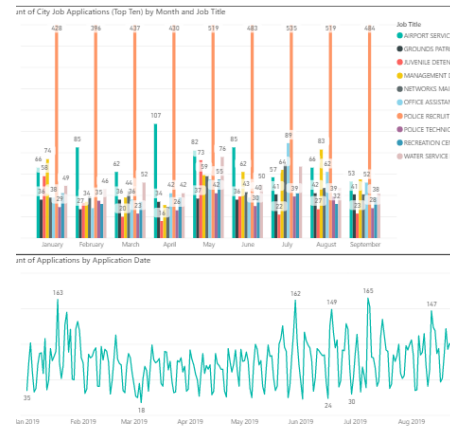
*Creation of a Generational Economic Development Plan | BuildNOLA Mobilization Fund | Youth Demonstration Project | Lower 9<sup>th</sup> Ward Opportunity Zone*



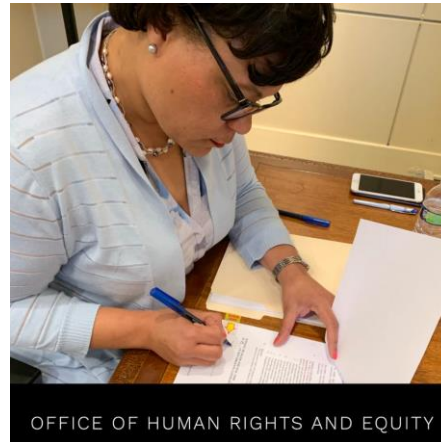




**Make City Government  
Accessible to Residents  
When & Where They Need It**  
Office of Neighborhood Engagement  
| Tele-Town Halls | Affordable  
Housing Listening Tours | 24/7 311  
Service | Coffee with a Cop



**Commit to Meaningful Open  
Data and Transparency**  
*data.nola.gov | Digital Equity | Civil Service  
Hiring Dashboard | ReConnect NOLA*



**Make the City the Best  
Workplace in New Orleans**  
*Living Wage | Ban the Box | Civil  
Service Reform | Innovation Stipend |  
Establishment of the HRC*



**Adopt Technologies and  
Innovations That Help City  
Employees Work Smarter**  
*Project BRASS | lasWord | RTCC*



**Modernize the City's Finances  
& Business Practices**  
*Zero-Based Budgeting Pilot | Updated  
Procurement Policies | Internal Audit*

**GOOD GOVERNANCE  
IS INCLUSIVE  
GOVERNANCE**





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# **2020 Budgetary Considerations**



# One-Time Revenue Used for Recurring Expenses

*In prior budgets, these expenses were funded with one-time revenues that are no longer available. Recurring funds are needed for these recurring expenses in 2020*

Expense	Projected Cost	Recurrence Timeline
Police Pay Increases for CURRENT NOPD Officers only	\$13.2M	Perpetual
NOMERS Pension Settlement Payment	\$800K	4 years
Legacy Lawsuits	\$939K	3 years
Employee Education Pay Incentive (Phase 7 of Pay Plan)	\$799K	Perpetual
Employee Merit Pay Increases (Salary Only)	\$2M to \$4M	Perpetual
Public Safety Radio Lease Payments	\$2M	3 years
2020 Projected Total: \$19.7M to \$21.7M		

# Ongoing Financial and Operational Initiatives

*The Administration has already undertaken efforts to improve the operational and financial capacities of the City*

Financial	Operational
<ul style="list-style-type: none"><li>▪ Shifting Pressures from Operating to Capital Budget</li><li>▪ Diversifying the City's Funding Sources<ul style="list-style-type: none"><li>- GOMESA Securitization</li></ul></li><li>▪ Better Management of Reserve Funding</li><li>▪ Assessed and diversified the City's investment portfolio</li><li>▪ Auditing the City's special funds</li></ul>	<ul style="list-style-type: none"><li>▪ Zero-Based Budgeting</li><li>▪ Enterprise Resource Planning (ERP) System Implementation</li><li>▪ Analyzing Shift Deployment Structures for Public Safety Agencies</li><li>▪ Re-establishment of the Internal Audit Division</li><li>▪ Increasing Accountability and Responsibility Among City Leaders</li><li>▪ Updated business process, policies, and procedures</li></ul>



# Improved Bond Ratings

*Moody's and Standard and Poors' upgraded the City's bond rating ahead of the recent \$50M bond sale*

City's Bond Ratings			
Year	Moody's	S&P	Fitch
2019	A2	AA	A+
2018	A3	AA-	A+
2017	A3	AA-	A+
2016	A3	AA-	A+
2015	A3	A- / A+	A-
2014	A3	BBB+	A-
2013	A3	BBB+	A-
2012	A3	BBB	A-
2011	A3	BBB	A-
2010	A3	BBB	A-

"The city's recent history of conservative budgeting, improved financial performance, and financial policies will likely support a stable financial profile" – **Moody's Rating Summary**

"The stable outlook reflects our view of New Orleans thriving economy, recent positive general fund results, and overall growth in the general fund balance. " – **Standard and Poors' Rating Summary**

"The city's positive performance during the current economic recovery has enabled it to boost reserves and increase pension contributions. These actions indicate a commitment to bolster the city's financial profile..." – **Fitch Rating Summary**

# Identified Savings and Revenue Opportunities

*The CAO is leveraging on-going budget hearings, the Zero-Based Budgeting pilot, and other measures to identify budgetary efficiencies*

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## Savings Opportunities

- Identified savings in health care costs **[\$2M]**
- Identified savings in workers' compensation costs **[\$2M]**
- Identified budget surpluses in CAO budget hearings **[\$1.5M]**
- Shifting expenses from the General Fund to Special Funds or the Capital Budget **[\$1M]**
  - Special Funds such as the French Quarter Improvement Fund
  - Capital Budget
- Savings from 311/911 Merger **[\$900K]**

## Revenue Opportunities

- Smarter investment strategies for City funds **[\$1M]**
- Audubon Transfer **[\$1M]**
- Proposed Special Event, Permit, and Other Fee Structure Changes **[\$500K]**
- Support adding properties with expired ITEP/IDB exemptions to tax rolls
- Support efforts to ensure non-profit exemptions are aligned with national norms



# Zero-Based Budgeting

*The zero-based budgeting (ZBB) pilot has allowed the City to examine Department budgets at the line item level through detailed cost analysis*

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## Benefits of ZBB

- Establishes cost per service/unit metrics
- Provides greater insight into impact of funding decisions
- Aligns budget categories to the correct expense categories
- Provides greater accountability in personnel spending
- Highlights cost of shared services for further analysis

## Future of ZBB

- The goal is that by 2021, all City Departments will be utilizing the ZBB framework
- To accomplish this, the CAO will assign additional staff to manage the continued transition of all Departments to the ZBB model
- Additionally, we will further explore the **\$2.5M** in potential city-wide savings identified by consultants

# Proposed Partial Roll Forward

	2019 Base		2020 Roll Back			50% Roll Forward			2020 Millage	Revenue Total
Dedication	Baseline Millage <i>Before Roll Back</i>	2019 Implied Revenue	ROLL BACK REVENUE <i>Neutrality Target (excludes new construction)</i>	Implied Millage Roll Back	Total Millage after Roll Back	Roll Forward Millage Change	Roll Forward Revenue DUE TO REASSESSMENT	Total Revenue Including Roll Forward DUE TO NEW CONSTRUCTION	Millage After Roll Forward	Roll Forward Change in Revenue
City Alimony	13.91	\$51,511,881	\$4,860,484	1.20	12.71	0.60	\$2,430,242	\$3,187,627	13.31	\$5,617,869
City Alimony (ex-Assessors)	1.19	\$4,406,840	\$415,814	0.10	1.09	0.05	\$207,907	\$272,701	1.14	\$480,609
Fire/Police (1)	4.27	\$15,812,777	\$1,492,039	0.37	3.90	0.18	\$746,020	\$978,517	4.09	\$1,724,537
Fire/Police (2)	2.13	\$7,887,872	\$744,273	0.18	1.95	0.09	\$372,135	\$488,113	2.04	\$860,249
Police w/o Homestead Exemption	5.26	\$21,847,684	\$1,854,718	0.41	4.85	0.21	\$927,359	\$1,265,497	5.05	\$2,192,856
Fire w/o Homestead Exemption	5.21	\$21,640,006	\$1,837,087	0.41	4.80	0.20	\$918,544	\$1,253,468	5.01	\$2,172,012
Fire w/o Homestead Exemption	2.50	\$10,383,880	\$881,520	0.20	2.30	0.10	\$440,760	\$601,472	2.40	\$1,042,232
Parks & Recreation	3.00	\$11,109,679	\$1,048,271	0.26	2.74	0.13	\$524,136	\$687,483	2.87	\$1,211,618
Street and Traffic Control	1.90	\$7,036,130	\$663,905	0.16	1.74	0.08	\$331,953	\$435,406	1.82	\$767,356
<b>REC SUBTOTAL</b>	<b>39.38</b>	<b>\$151,636,749</b>	<b>\$13,798,112</b>	<b>3.29</b>	<b>36.08</b>	<b>1.65</b>	<b>\$6,899,056</b>	<b>\$9,170,283</b>	<b>37.72</b>	<b>\$16,069,339</b>

# Proposed Partial Roll Forward – Impact to Tax Payer

*REC and Special Fund Millages - excluding Board of Liquidation*

*Based on Preliminary Assessment Data*

Annual Taxes Based On Assessed Value*										
Assessed Value Of Home/Property	\$100,000	\$200,000	\$250,000	\$300,000	\$350,000	\$400,000	\$450,000	\$500,000	\$750,000	\$1,000,000
Residence With Homestead Exemption	\$8	\$25	\$33	\$41	\$49	\$58	\$66	\$74	\$115	\$157
Residence Without Homestead Exemption And Commercial Land	\$17	\$33	\$41	\$50	\$58	\$66	\$74	\$83	\$124	\$165
Commercial Structures And Personal Property	\$25	\$50	\$62	\$74	\$87	\$99	\$111	\$124	\$186	\$248
Public Service Property	\$41	\$83	\$103	\$124	\$144	\$165	\$186	\$206	\$309	\$413

Monthly Taxes Based On Assessed Value*										
Assessed Value Of Home/Property	\$100,000	\$200,000	\$250,000	\$300,000	\$350,000	\$400,000	\$450,000	\$500,000	\$750,000	\$1,000,000
Residence With Homestead Exemption	\$0.69	\$2.06	\$2.75	\$3.44	\$4.12	\$4.81	\$5.50	\$6.19	\$9.62	\$13.06
Residence Without Homestead Exemption And Commercial Land	\$1.38	\$2.75	\$3.44	\$4.13	\$4.81	\$5.50	\$6.19	\$6.88	\$10.31	\$13.75
Commercial Structures And Personal Property	\$2.06	\$4.13	\$5.16	\$6.19	\$7.22	\$8.25	\$9.28	\$10.31	\$15.47	\$20.63
Public Service Property	\$3.44	\$6.88	\$8.59	\$10.31	\$12.03	\$13.75	\$15.47	\$17.19	\$25.78	\$34.38

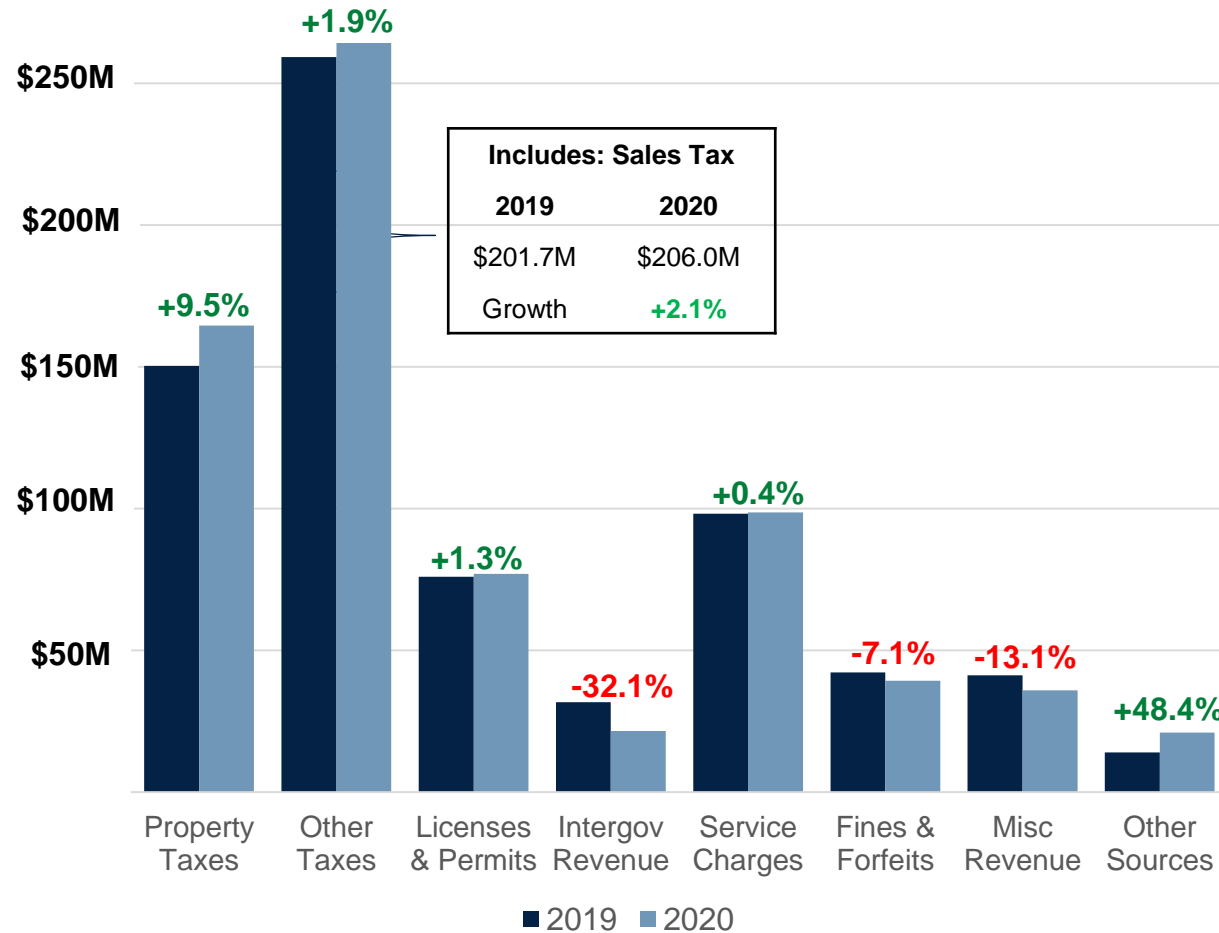
\* Assumes no savings to the taxpayer from the phase-in; eligible taxpayers will pay less from 2020-2022



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**2020 Revenue**

# General Fund Revenue Forecast

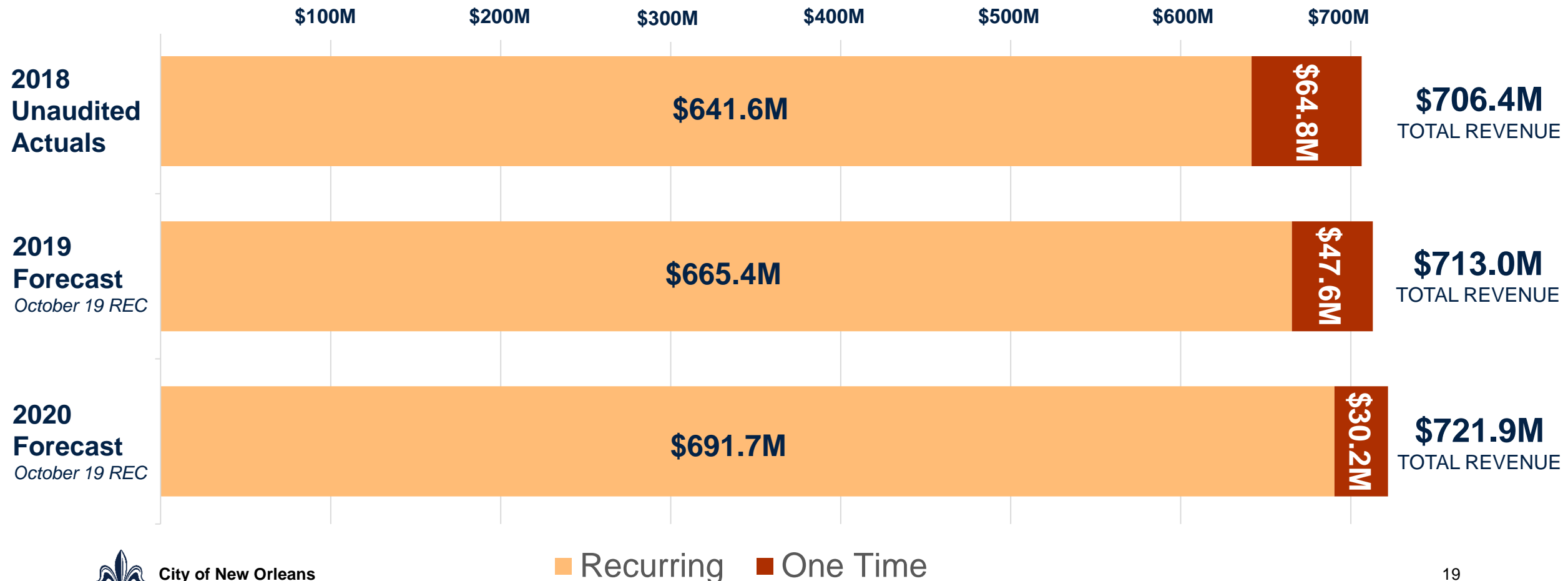


	2019 Forecast	2020 Forecast	Annual Change
Property Tax	\$150.3M	\$164.6M	+14.3M
Other Taxes	\$259.3M	\$264.3M	\$5.0M
Licenses & Permits	\$75.9M	\$76.9M	+970K
Intergovernmental Revenue	\$31.7M	\$21.5M	-10.2M
Service Charges	\$98.2M	\$98.6M	+396K
Fines & Forfeits	\$42.2M	\$39.2M	-3.0M
Miscellaneous Revenue	\$41.2M	\$35.8M	-5.4M
Other Financing Sources	\$14.0M	\$20.9M	+6.8M
<b>Total General Fund Revenue</b>	<b>\$713.0M</b>	<b>\$721.9M</b>	<b>+8.84M</b>

\*Columns may not add due to rounding

# Recurring vs One-Time Revenue

*The City's availability of one-time revenue will decrease by over 36% in 2020, while recurring revenue will increase by 3.9%*

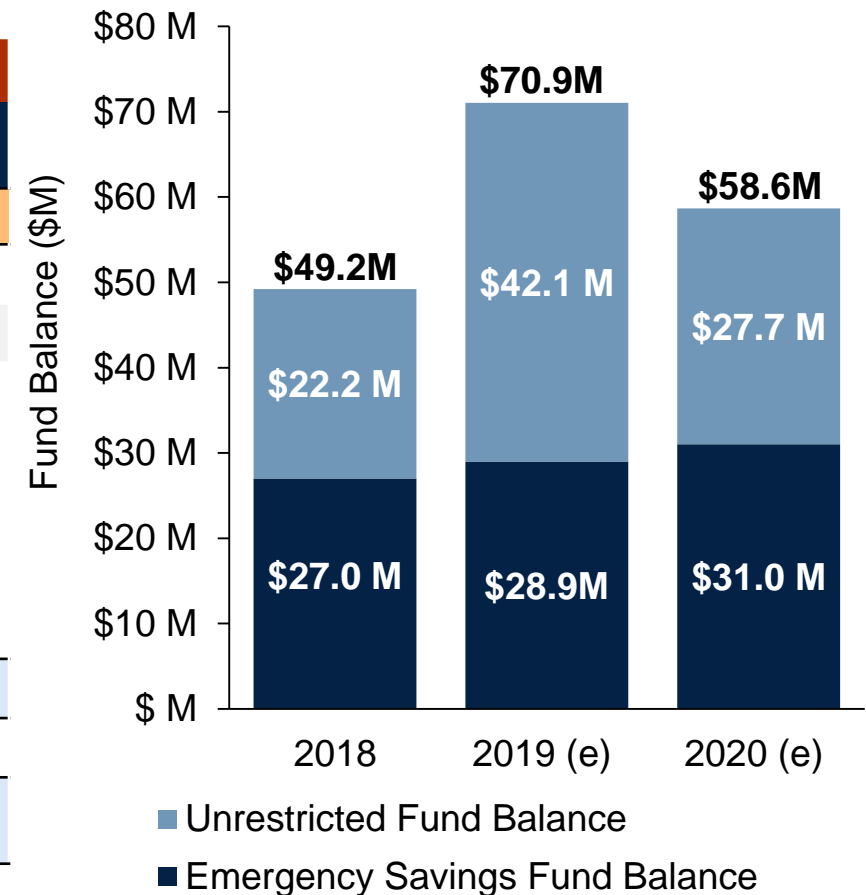




# Fund Balance

*The Administration continues to work to meet reserve goals while decreasing the reliance on budgeted fund balance year over year*

General Fund Balance Planning Outlook					
	2019 Forecast	2020 Forecast	2021 Projected	2022 Projected	2023 Projected
Anticipated GF Surplus/(Deficit)	10,623,585	0	(11,450,414)	(6,831,170)	(3,158,904)
Beginning Balance	65,870,663	70,987,748	56,681,248	41,724,334	29,386,664
<b>USE OF FUND BALANCE</b>					
Appropriated from Fund Balance	0	(6,800,000)	0	0	0
To Judgment Fund	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
BP Fund Direct Appropriation	(3,506,500)	(3,506,500)	(3,506,500)	(3,506,500)	(3,506,500)
<b>TOTAL USE OF FUND BALANCE</b>	<b>(5,506,500)</b>	<b>(12,306,500)</b>	<b>(5,506,500)</b>	<b>(5,506,500)</b>	<b>(5,506,500)</b>
<b>NET CHANGE TO FUND BALANCE</b>	<b>5,946,515</b>	<b>(12,306,500)</b>	<b>(16,956,914)</b>	<b>(12,337,670)</b>	<b>(8,665,404)</b>
<b>Adjusted Fund Balance</b>	<b>70,987,748</b>	<b>58,681,248</b>	<b>41,724,334</b>	<b>29,386,664</b>	<b>20,721,260</b>
Obligated to Savings Fund	(28,932,578)	(31,022,632)	(32,678,571)	(34,158,101)	(35,460,781)
<b>Adjusted Fund Balance Less Savings Fund</b>	<b>42,055,170</b>	<b>27,658,615</b>	<b>9,045,763</b>	<b>(4,771,437)</b>	<b>(14,739,522)</b>

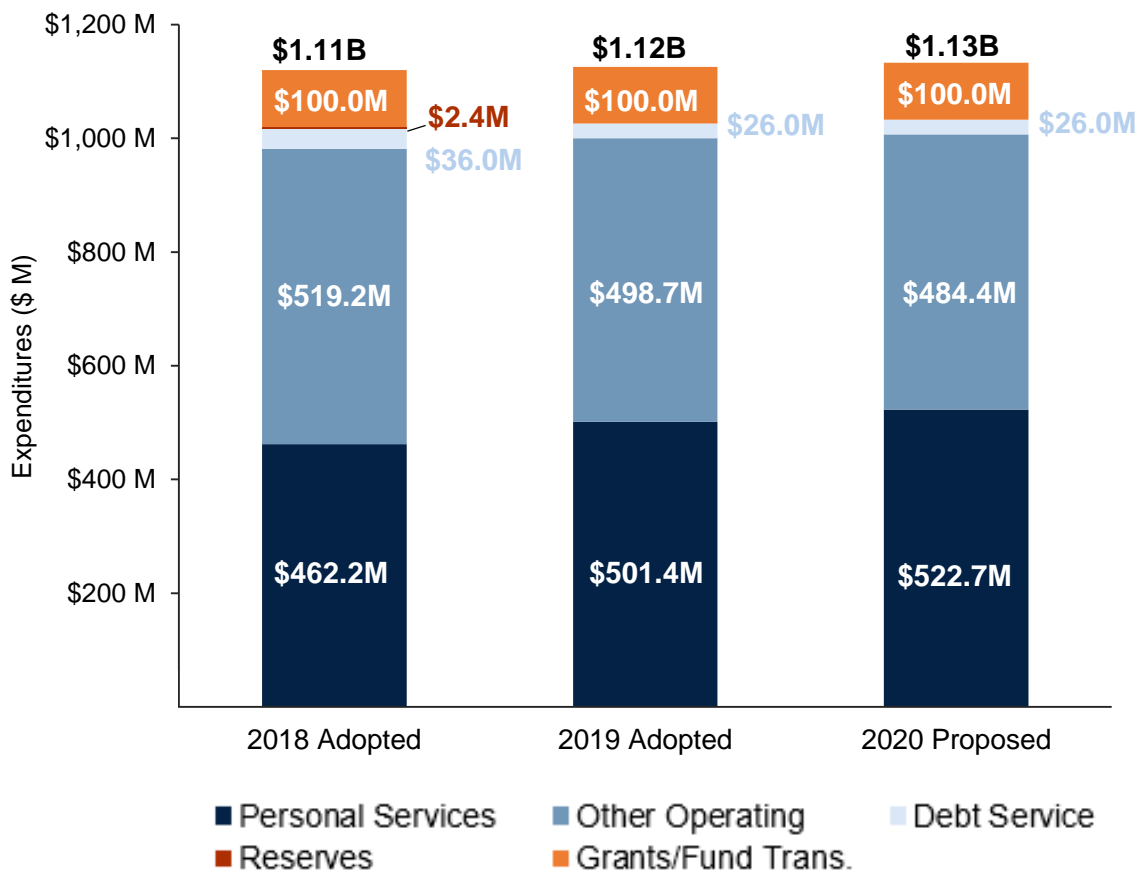


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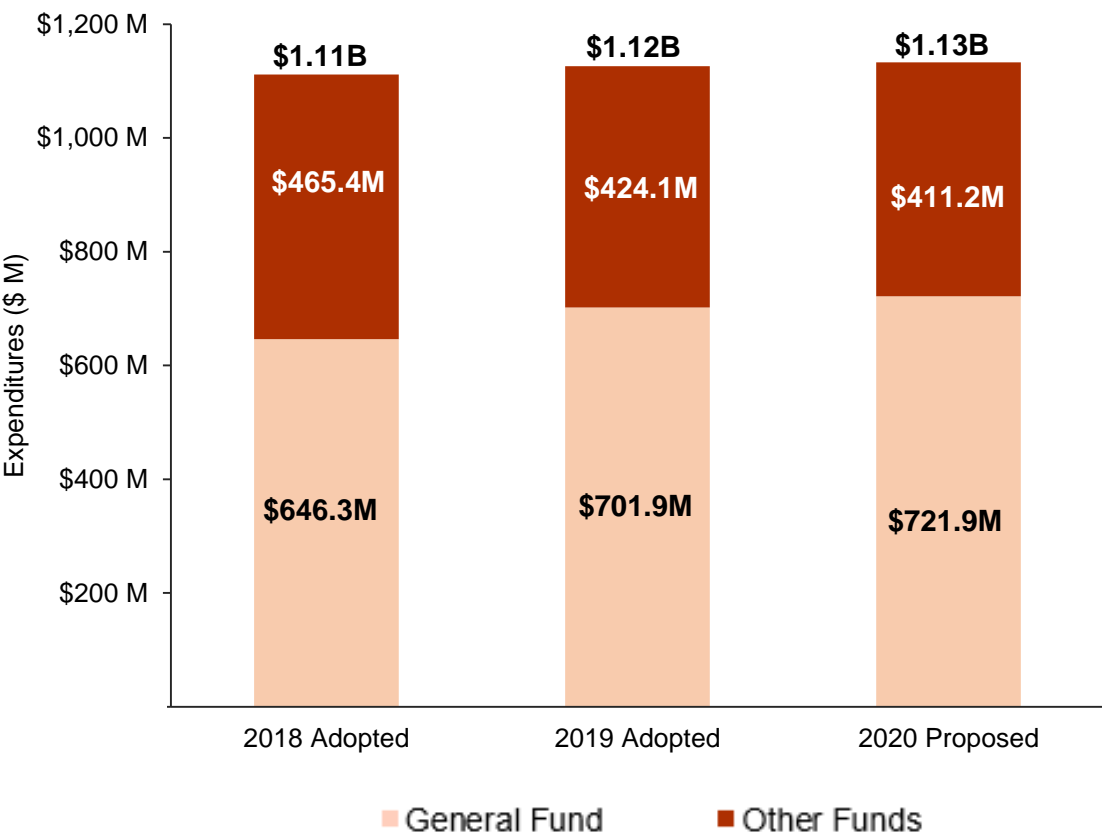
## **2020 Expenditures**

# 2020 Proposed Budget

## EXPENDITURES



## FUNDING SOURCES





# Key Increases in General Fund Expenditures for 2020

	Proposed Increase
<b>NOPD</b> <i>Additional 27 personnel; additional funding for recruiting; 5K hiring bonus</i>	<b>\$2.0M</b>
<b>NOFD</b> <i>Reach full complement of 48 superintendent and executive office staff members; award education benefits</i>	<b>\$1.9M</b>
<b>NOEMS and Health Department</b> <i>Additional 8 personnel; funding to cover positions paid for by expired grants</i>	<b>\$1.3M</b>
<b>New Orleans Office of Homeland Security &amp; Emergency Preparedness</b> <i>City Hall security contract; Motorola contract; \$500K set aside to be immediately available during emergencies</i>	<b>\$1.2M</b>
<b>Juvenile Justice Intervention Center</b> <i>Additional 8 personnel; moving facility security in-house; increased medical costs</i>	<b>\$841K</b>
<b>NORD-C</b> <i>Provides funding for summer programming</i>	<b>\$800K</b>

# Potential General Fund Expenditures in 2020

*The following expenditures are currently under review and may be included in the 2020 budget at a later date*

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	Expense
<b>Sheriff</b> <i>Operations and medical services</i>	<b>\$3M to \$6M</b>
<b>Juvenile Justice Intervention Center</b> <i>Phase II of the planned expansion</i>	<b>\$3M to \$3.5M</b>
<b>Hard Rock Hotel Collapse</b> <i>Personnel, over-time, and equipment costs accrued during the emergency</i>	<b>Unknown</b>
<b>Pending Lawsuits</b> <i>DDD, School Board Pension, etc</i>	<b>Unknown</b>